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Message Text

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ACTION EB-06

INFO OCT-01 NEA-06 ISO-00 AEC-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 FEAE-00 FPC-01 H-01 INR-05

INT-05 L-01 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01 SAM-01

OES-02 SP-02 SS-15 STR-01 TRSE-00 FRB-01 PRS-01 PA-01

USIA-06 EUR-08 SSO-00 /086 W
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P 071305Z NOV 74
FM AMEMBASSY TEHRAN
TO SECSTATE WASHDC PRIORITY 8960

C O N F I D E N T I A L TEHRAN 9488

DEPARTMENT PASS TO SECRETARY

E.O. 11652: GDS
TAGS: ENRG, IR
SUBJECT: PROPOSED SINGLE PRICE FOR OIL PROVOKES COMMENT IN IRAN

REF: A. TEHRAN 8767; B. STATE 245313; C. USIS TEHRAN 9483 071055Z

1. THE EMBASSY HAS NOTED WITHIN THE PAST FEW DAYS A STEP UP IN PRESS COMMENTARY AND COMMENTS FROM OIL CIRCLES ON IRAN'S PROBABLE PROPOSAL AT THE DECEMBER OPEC MEETING IN VIENNA FOR A SINGLE PRICE FOR OIL. ENGLISH LANGUAGE EDITION OF KAYHAN INTERNATIONAL FOR NOVEMBER 7 DISCUSSES THE PROPOSAL IN THE CONTEXT OF ITS NOT RPT NOT LEADING TO ANY REDUCTION IN PRODUCER COUNTRY REVENUE ON A PER BARREL BASIS. RATHER, ANY DIMINUTION IN OIL PRICES, SHOULD THIS IN FACT OCCUR, WOULD COME OUT OF OIL COMPANY PROFITS. THE ARTICLE ARGUES AT SOME LENGTH THAT US CORRESPONDENTS HAD ERRONEOUSLY DEDUCED FROM THE SHAH'S REMARKS AT HIS NOVEMBER 2 PRESS CONFERENCE THAT THE POSTED PRICE WOULD DECLINE FROM $11.65 TO ABOUT $10 PER BARREL AND THAT THERE WOULD OCCUR A CONCOMITANT DECLINE IN PRODUCER COUNTRY TAKE. THE ARTICLE WENT ON TO POINT OUT, CORRECTLY, THAT POSTED PRICE IS PURELY A FICTITIOUS POINT OF REFERENCE; WHAT IRAN
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SEEKS IS AN AVERAGE MARKET PRICE OF $9.84 A BARREL FOR "MARKER

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CRUDE" PLUS AN ADD-ON "PROFIT MARGIN" OF 50 CENTS A BARREL FOR THE MAJOR OIL COMPANIES. THUS, THE EFFECTIVE COST TO CONSUMING COUNTRIES, BARRING A CONSUMER GOVERNMENT ATTEMPT TO LIMIT OIL COMPANY "PROFIT" TO A FIGURE LESS THAN 50 CENTS PER BARREL, WOULD BE $10.34 A BARREL. THE KAYHAN ARTICLE WAS PROBABLY INSPIRED BY THE GOVERNMENT TO ALLAY ANY POSSIBLE FEARS IN IRAN THAT PRODUCER COUNTRY REVENUE WOULD DECLINE AS A RESULT OF OPEC'S ADOPTION OF THE IRANIAN PROPOSAL.

2. IN RESPONSE TO AN EMBOFF'S QUERY, A LONDON-BASED EXXON OFFICIAL (BOYER) DID ADMIT THAT THE MAJORS WOULD PROBABLY BE CONTENT WITH A 50 CENT PROFIT PER BARREL PROVIDED THAT THIS PROFIT WAS APPLICABLE TO ALL BARRELS LIFTED. BASED ON BEST INFORMATION AVAILABLE TO THIS EMBASSY, IRAN IS EVIDENTLY WILLING TO APPLY ITS PROPOSED PRICE FORMULA TO AT LEAST SEVENTY PERCENT OF TOTAL PRODUCTION WHEREAS A SOMEWHAT SIMILAR KUWAITI PROPOSAL WOULD LIMIT ANY DISCOUNTS TO THE MAJORS TO PERHAPS NO MORE THAN 30 PERCENT OF ALL CRUDE LIFTED.

3. AN INTERESTING SIDE LIGHT TO THE SPECULATION AND TALK WHICH HAS BEEN OCCURRING IN TEHRAN OVER THE LAST SEVERAL DAYS ON THIS SUBJECT IS THE TEXT RECEIVED BY THE EMBASSY OF A CLANDESTINE TUDEH PARTY RADIO BROADCAST FROM THE USSR BEAMED TO IRAN. ACCORDING TO THIS FICTITIOUS ACCOUNT OF NOVEMBER 4, THE PURPOSE OF SECRETARY KISSINGER'S VISIT TO IRAN WAS TO SECURE A REDUCTION IN OIL PRICES. THIS TUDEH RADIO ACCOUNT ASSERTED THAT SECRETARY KISSINGER WAS SUCCESSFUL IN THIS EFFORT AND THAT THE SHAH'S "COVERT COMMITMENT....THREATENS THE NATIONAL INTERESTS OF ALL OIL PRODUCING COUNTRIES." THE BROADCAST CONCLUDED BY DESCRIBING THE SHAH AS A "MOUSE WHO IS ALL EARS WHEN IT COMES TO TALKING WITH KISSINGER."
HELMS

NOTE BY OC/T: NOT PASSED SECRETARY

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